

PROMISSORY NOTE

Maximum Principal Amount: \$7,200,000

Date: April 19, 2002

Borrower: Draper Irrigation Company
12421 South 800 East
Draper, Utah 84020

Lender: Utah Drinking Water Board
P. O. Box 144830
Salt Lake City, Utah
84114-4830
Attn: Chairman

"Borrower" means every individual or entity who signs this Note. "Lender" means The State of Utah, acting through its Drinking Water Board, or any other person who holds this Note. "Note" means this Promissory Note. "Loan" means that portion of the loan advanced by Lender to Borrower in the amount of this Note. "Loan Agreement" means the Loan Agreement, dated April 19, 2002, between Lender and Borrower, and any subsequent modifications or amendments thereof.

1. **Promise to Pay.** Borrower promises to pay to Lender, or order, in lawful money of the United States of America, the total Principal Amount of the Loan as disbursed by Lender under the Loan Agreement, not to exceed the Maximum Principal Loan Amount of \$7,200,000, together with Hardship Grant Assessments (as described in paragraph 2 of this Note) on the unpaid principal balance until paid in full. As funds are disbursed by Lender pursuant to the procedure described in Section 2.5 of the Loan Agreement, those funds shall be listed on the Certificate of Payments and Amount attached to this Note; and the total Principal Amount of this Note shall be the cumulative amount of Loan proceeds disbursed by Lender as set forth on said Certificate.

2. **Hardship Grant Assessment.** In lieu of interest, the outstanding Principal Amount of this Note balance will bear a Hardship Grant Assessment from each date of delivery of Loan proceeds by Lender as set forth below:

(a) **Rate.** The Hardship Grant Assessment will accrue on the outstanding Principal Amount of this Note at a rate equal to 2.3% per annum, which Hardship Grant Assessment will be calculated in the same manner as interest would have been calculated if the Note had borne interest.

(b) **Calculation Basis.** For purposes of this Note, the Hardship Grant Assessment will be calculated based on a year consisting of 360 days.

3. **Payments.** Borrower will make payments of accrued Hardship Grant Assessments and principal under this Note as follows:

(a) **Hardship Grant Assessment Only Payment.** Borrower will make a payment of Hardship Grant Assessment only on January 1, 2003. To the extent there are Loan proceeds available as provided in the Loan Agreement, accrued Hardship Grant Assessments may be paid by disbursement of Loan proceeds. Otherwise, Borrower will pay the accrued Hardship Grant Assessments to Lender without benefit of the Loan proceeds on each Hardship Grant Assessment payment date.

(b) **Principal and Hardship Grant Assessment Payments.** The entire outstanding Principal Amount of this Note, together with all accrued and unpaid Hardship Grant Assessments thereon, will be due and payable in fifteen (15) annual installments of principal and Hardship Grant Assessments, commencing on January 1, 2004, and continuing on each January 1 thereafter until the entire principal

balance of this Note and all Hardship Grant Assessments thereon have been paid in full. On each such payment date, the amount of principal payable by Borrower shall be as set forth below:

<u>Year</u>	<u>Principal Installment</u>
2004	\$407,000
2005	\$417,000
2006	\$426,000
2007	\$436,000
2008	\$446,000
2009	\$457,000
2010	\$467,000
2011	\$478,000
2012	\$489,000
2013	\$500,000
2014	\$511,000
2015	\$523,000
2016	\$535,000
2017	\$548,000
2018	\$560,000

To each principal installment shall be added the accrued but unpaid Hardship Grant Assessments on the outstanding Principal Amount of this Note. If less than the Maximum Principal Loan Amount of \$7,200,000 is disbursed by Lender, the foregoing schedule of principal installments shall be shortened in inverse order of installments payable and Borrower shall thereafter pay each of the principal installments on the date and in the amounts listed above until the total Principal Amount of this Note and all Hardship Grant Assessments thereon have been paid in full. All payments under this Note shall be applied first to accrued but unpaid Hardship Grant Assessments and then to principal.

4. **Place of Making Payments.** Borrower will make all payments under this Note to Lender at Lender's address shown above or at a different place if required by Lender. Unless otherwise agreed or required by applicable law, Borrower's payments will be applied first to outstanding costs and charges related to the Loan (including, but not limited to, collection costs, late charges and attorney fees), then to unpaid Hardship Grant Assessments, and finally to the outstanding principal of this Note.

5. **Prepayment.** Borrower has the right to make payments of principal at any time before they are due. A payment of principal only is known as a "prepayment." When Borrower makes a prepayment, Borrower will tell Lender in writing that Borrower is doing so. Borrower may make a full prepayment or partial prepayments without paying any prepayment charge. Lender will use all of Borrower's prepayments to reduce the amount of principal that is owed under this Note.

6. **Security.** Borrower's obligations under this Note are secured by such security interests as are described in the Loan Documents (as defined in the Loan Agreement).

7. **Late Charge.** If Borrower is late in making any payment required under this Note, Borrower will be charged a late fee charge equal to 18% per annum on the amount of that delinquent payment, which shall accrue until the delinquent payment and the late fee charge is paid in full.

8. **Borrower's Failure to Pay as Required.**

(a) **Default.** If Borrower does not pay the full amount of each payment under this Note on the date it is due or if Borrower breaches any covenant contained in the Loan Agreement or any of the Loan Documents, Borrower will be in default.

(b) **Notice of Default.** Unless otherwise expressly provided by the terms of this Note, the Loan Agreement or the Loan Documents, if an event of default occurs, Lender will give written notice to Borrower of such occurrence as follows:

(1) Borrower will not be entitled to any notice regarding defaults with respect to regularly scheduled payments under this Note. However, in the event of any other monetary default, Borrower will have fifteen (15) days following receipt of written notice from Lender in which to cure such default.

(2) In the event of a nonmonetary default, Borrower will have fifteen (15) days after receipt of written notice from Lender specifying the nonmonetary default in which to effect a cure. However, if the nonmonetary default cannot reasonably be corrected with such fifteen (15) day period, Borrower will have an additional thirty (30) days in which to remedy such nonmonetary default if Borrower notifies Lender of the manner in which the nonmonetary default will be cured, and if appropriate corrective action is instituted within the initial fifteen (15) day period and is diligently pursued thereafter.

(c) **Acceleration.** If Borrower fails to cure a default following notice (if required) from Lender within the applicable cure period described above, Lender, at Lender's option, may declare the entire unpaid principal balance of this Note, together with all accrued and unpaid Hardship Grant Assessments thereon, immediately due and payable.

(d) **No Waiver by Lender.** Even if, at the time Borrower is in default, Lender does not require Borrower to pay immediately in full as described above, Lender will still have the right to do so if Borrower is in default beyond any applicable cure period at a later time.

(e) **Payment of Lender's Costs and Expenses.** If, following a default beyond any applicable cure period, Lender has required Borrower to pay immediately in full as described above, Lender will have the right to be paid back by Borrower for all costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorney fees and costs incurred by Lender: (1) incident to the enforcement of the payment and performance obligations of Borrower under this Note; (2) incident to any litigation relating to or affecting the amount due under this Note or secured by the Loan Documents, resulting from any action or participation in, or in any manner connected with, a case or proceeding involving Borrower under Chapters 7, 11 or 13 of the Bankruptcy Code, or any successor statute thereto; or (3) incident to Lender's exercise of the power of sale provisions contained in the Loan Documents or Lender's pursuit of judicial foreclosure proceedings against the property described in the Loan Documents.

(f) **Remedies Available to Lender.** Following a default beyond any applicable cure period, Lender may exercise any remedy provided in the Loan Documents, any other instrument or document evidencing or securing Borrower's obligations under the Loan or available to Lender under applicable law.

(g) **Default Interest.** Following a default beyond any applicable cure period, interest will accrue against the unpaid balance of this Note at a rate equal to 18% per annum.

9. **Giving of Notices.** Unless applicable law requires a different method, any notice that must be given to Borrower under this Note will be given by delivering it or by mailing it (postage prepaid) by first class mail to Borrower at the Borrower's address shown above, or at a different address if Borrower gives Lender a notice of a different address. Any notice that must be given to Lender under this Note will be given by delivering it or by mailing it (postage prepaid) by first class mail to the Lender's address shown above, or at a different address if Borrower is given notice of that different address.

10. **Waivers.** Borrower and any other person who has obligations under this Note waives the rights of presentment and notice of dishonor. "Presentment" means the right to require Lender to give notice to other persons that amounts due have not been paid. "Notice of dishonor" means the right to require Lender to give notice to other persons that amounts due have not been paid.

11. **Miscellaneous.** This Note is governed by the laws of the State of Utah. Time is of the essence in the performance of all obligations under this Note. This Note is a final expression of the agreement and understanding of Lender and Borrower with respect to the Loan and may not be contradicted by evidence of any alleged oral agreement.

BORROWER:

DRAPER IRRIGATION COMPANY

By: _____

Title: _____

Stephen L. Tapp
President

Attest:

[Signature]
Vice President

CERTIFICATE OF DATES OF PAYMENT AND AMOUNT

THE UNDERSIGNED, as a duly authorized representative of the Utah Drinking Water Board, hereby certifies that, on the dates listed below, the Utah Drinking Water Board deposited or caused to be deposited to the Loan Subaccount of the Construction Account described in the Loan Agreement the amounts listed below:

[illegible]

LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") is made and entered into effective as of the 19th day of April, 2002, by and between the State of Utah, Department of Environmental Quality, DRINKING WATER BOARD ("Lender"), and DRAPER IRRIGATION COMPANY, a Utah corporation ("Borrower").

R E C I T A L S:

A. Borrower is the owner of a water system located in Salt Lake County, Utah, in connection with which Borrower desires to construct certain improvements.

B. Borrower has applied to Lender for financial assistance for such improvements in the principal amount of SEVEN MILLION TWO HUNDRED THOUSAND DOLLARS (\$7,200,000).

C. In full reliance upon the representations made by Borrower in this Agreement and the Loan Documents (as defined in Appendix "A" to this Agreement), Lender is willing to make the financial assistance available to Borrower upon the terms, covenants and conditions contained in this Agreement and in the Loan Documents.

D. Certain terms used in this Agreement are defined in Appendix "A" which is attached hereto and incorporated herein by this reference.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements contained in this Agreement, Borrower and Lender mutually agree as follows:

ARTICLE I

NATURE OF PROJECT

I.1 Nature of Project. The Project to be constructed by Borrower with the proceeds of the Loan and with Equity proceeds will have three components:

(a) Pipeline Project. One of the components -- the "Pipeline Project" -- relating to the construction and installation of a system of water pipelines to be constructed and installed on property other than the Tank and Treatment Facility Site, will be constructed by Borrower solely using Equity proceeds contributed by Borrower and without using Loan proceeds.

(b) Water Storage Project. One of the components -- the "Water Storage Project" -- relating to the construction and installation of a 7-million gallon water storage tank and a water vault, the upgrading of Borrower's existing 1-million gallon water storage tank and the construction and installation of connecting water pipelines, will be constructed by Borrower using Loan proceeds and, to the extent necessary, from Equity proceeds contributed by Borrower.

(c) Treatment Facility Project. One of the components -- the "Treatment Facility Project" -- relating to the construction and installation of improvements to Borrower's water treatment facility and the lining of Borrower's water sediment basin, will be constructed by Borrower using Loan proceeds and, to the extent necessary, from Equity proceeds contributed by Borrower.

1.2 Equity Contributions. In order to provide funds sufficient to complete the construction of the Project, Borrower shall be required to contribute equity funds in amounts sufficient, when combined with the Loan funds supplied by Lender, will permit the acquisition, construction and completion of all components of the Project. Said contributions shall be made at the times and in the amounts described in Section 3.3 of this Agreement.

1.3 Security for Loan. The following items shall be pledged to Lender as security for Borrower's obligation to pay all amounts payable under the Note and the other Loan Documents:

(a) First Lien Pledge. Borrower shall grant to Lender a first lien security interest in and to the Tank and Treatment Facility Site, which lien shall be free and clear of all other liens and encumbrances with the exception of the Permitted Encumbrances.

(b) Second Lien Pledge. Borrower shall grant to Lender a second lien security interest in and to Borrower's Water Rights, subject only to the prior lien in favor of the Utah Board of Water Resources and the Permitted Encumbrances; and Borrower shall be required to supply to Lender proof reasonably satisfactory to Lender that, under the installment purchase agreement between the Utah Board of Water Resources and Borrower relating to Borrower's System and Water Rights, the lien in favor of Lender will automatically become a first lien security interest therein as soon as the full purchase price payable to the Utah Board of Water Resources by Borrower has been paid.

ARTICLE II

AMOUNT AND TERMS OF LOAN

2.1 Principal Amount of the Loan. The maximum amount of funds to be disbursed to Borrower by Lender shall be SEVEN MILLION TWO HUNDRED THOUSAND DOLLARS (\$7,200,000) (the "Principal Indebtedness"). The procedure for disbursement of Loan proceeds is set forth in Section 2.5 of this Agreement.

2.2 Hardship Grant Assessment Accruals and Payments. During the term of the Loan, the Hardship Grant Assessments shall accrue on the outstanding Principal Indebtedness and Borrower shall make payments of principal and Hardship Grant Assessment to Lender as follows:

(a) Hardship Grant Assessment Rate. The outstanding balance of the Principal Indebtedness, as disbursed from time to time during the course of construction of the Improvements, shall bear a Hardship Grant Assessment from the date of each disbursement at the rate described in the Note.

(b) Payment Dates. Principal and accrued Hardship Grant Assessments, computed in accordance with the foregoing, shall be due and payable on each Payment Date in the amounts set forth in the Note until the entire outstanding Principal Indebtedness is paid in full.

2.3 Term. The total outstanding Principal Indebtedness, together with all accrued and unpaid Hardship Grant Assessments thereon, shall be payable in the manner set forth in the Note.

2.4 The Security. The Loan, as evidenced by the Note, shall be secured as follows:

(a) Facility Deed of Trust. The Note shall be secured by the Facility Deed of Trust in form and content satisfactory to Lender. The Facility Deed of Trust shall be executed and acknowledged by Borrower, as trustor, and shall constitute a first and prior lien and encumbrance upon the Tank and Treatment Facility Site, subject only to the Permitted Encumbrances.

(b) Water Rights Deed of Trust. The Note shall be secured by the Water Rights Deed of Trust in form and content satisfactory to Lender. The Water Rights Deed of Trust shall be executed and acknowledged by Borrower, as trustor, and shall constitute a second lien security interest in and to Borrower's Water Rights, subject only to the prior lien in favor of the Utah Board of Water Resources and the Permitted Encumbrances; and Borrower shall be required to supply to Lender proof reasonably satisfactory to Lender that, under the installment purchase agreement between the Utah Board of Water Resources and Borrower relating to Borrower's Water Rights, the lien of the Water Rights Deed of Trust will automatically become a first lien security interest therein as soon as the full purchase price payable to the Utah Board of Water Resources by Borrower has been paid.

(c) Assignment of Construction and Related Contracts. The Note shall be secured by separate assignments of the Construction and Related Contracts in form and content satisfactory to Lender.

(d) Consent of Engineer and Contractor. Borrower shall procure, to Lender's satisfaction, an agreement or declaration from the Engineer and the Contractor that, in the event of Borrower's default under the Loan Documents and upon receipt of assurance from Lender that the payments required to be made under the Construction and Related Contracts will be made by Lender, the Engineer and the Contractor will complete the construction of the Improvements in accordance with the Plans and Specifications, cost estimates and budgets previously submitted to and approved

by Borrower and Lender, and will recognize Lender as a substitute for Borrower under the Construction and Related Contracts.

(e) Security Agreement. The Note shall also be secured by the Security Agreement, in form and content satisfactory to Lender, executed by Borrower and granting a first and prior position security interest in the collateral described in the Security Agreement.

(f) Assignment of Loan Proceeds and Reserve Accounts. As additional security for the payment of the Note, Borrower hereby assigns and pledges to Lender all of Borrower's right, title and interest in and to the proceeds of the Loan to secure any and all of Borrower's obligations under the Loan Documents, subject only to Borrower's right to have the funds disbursed in accordance with the terms, covenants and conditions of this Agreement. Borrower also hereby assigns and pledges to Lender, as security for the payment of the Note, the funds deposited in the Debt Service Reserve Account and the Capital Facilities Replacement Account described in Section 5.14 of this Agreement.

(g) Additional Security Agreements. Borrower shall execute and deliver to Lender such additional security agreements and financing statements with respect to the Tank and Treatment Facility Site, the Improvements, the Loan proceeds and the Accounts described in Section 5.14 of this Agreement, as may reasonably be requested by Lender, all in form and content satisfactory to Lender, as additional security for the Loan.

2.5 Disbursements for Construction Costs. Except as otherwise provided herein, Equity proceeds and Loan proceeds shall be disbursed as follows:

(a) Pipeline Subaccount. Equity proceeds in the amount described in Section 3.3(a) shall be deposited by Borrower in the Pipeline Subaccount of the Construction Account. Funds shall be disbursed from the Pipeline Subaccount of the Construction Account for costs relating to the Pipeline Project in accordance with the following procedure:

(1) Disbursements. Funds shall be disbursed from the Pipeline Subaccount of the Construction Account, not more frequently than once per month, on the basis of the value of work in place and for which the Contractor has received an invoice from a subcontractor or supplier.

(2) Amounts Disbursed. In order to obtain a disbursement from the Pipeline Subaccount of the Construction Account, Borrower shall submit to Lender, not more frequently than monthly, an Application for Disbursement in a form acceptable to Lender.

(3) Excess Funds. If any funds remain in the Pipeline Subaccount of the Construction Account after completion of the Pipeline Project, those excess funds shall be transferred to the Loan Subaccount of the Construction Account.

(b) Loan Subaccount. Loan proceeds shall be disbursed into the Loan Subaccount of the Construction Account, and funds shall be disbursed from the Loan Subaccount of the Construction Account for costs relating to the Water Storage Project and the Treatment Facility Project in accordance with the following procedure:

(1) Incremental Advances. Loan proceeds shall be disbursed on a quarterly basis into the Loan Subaccount of the Construction Account to cover expected construction costs relating to the Water Storage Project and Treatment Facility Project for the applicable calendar quarter. Borrower shall supply to Lender written estimates of the estimated construction costs for each such calendar quarter. As disbursements of Loan proceeds to the Loan Subaccount of the Construction Account are made, Lender shall note those disbursements on the "Certificate of Payment and Amount" attached to the Note.

(2) Disbursements from Loan Subaccount. Funds shall be disbursed from the Loan Subaccount of the Construction Account in accordance with the following procedure:

(A) Disbursements. Funds shall be disbursed from the Loan Subaccount of the Construction Account, not more frequently than once per month, on the basis of the value of work in place and for which the Contractor has received an invoice from a subcontractor or supplier. Lender shall have no obligation to make disbursements for the cost of materials not permanently in place, whether stored on or off the Tank and Treatment Facility Site, unless all materials, supplies or equipment that are stored on the Tank and Treatment Facility Site awaiting installation are either adequately insured to Lender's satisfaction against casualty, theft or other losses, or Borrower, to Lender's satisfaction, is insured with respect to the same. All such stored materials, supplies or equipment must be incorporated into the Improvements within thirty (30) days after delivery to the Tank and Treatment Facility Site.

(B) Amounts Disbursed. In order to obtain a disbursement from the Loan Subaccount of the Construction Account, Borrower shall submit to Lender, not more frequently than monthly, an Application for Disbursement in a form acceptable to Lender. The amount disbursed by Lender shall be determined as follows:

(i) Retainage. A portion of each progress payment for construction costs in the percentage amount specified for retainage in the Loan Subaccount of the Construction Contract shall be withheld as retainage. Upon completion of the Project, Lender's share of all amounts retained pursuant to this process shall be disbursed upon receipt by Lender of a written request therefor, together with evidence of completion of the Project.

(ii) Proportionate Disbursement. After the retainage amount has been subtracted from the amount requested under the Application for Disbursement, the balance of the amount requested shall be disbursed.

(C) Excess Funds. If any funds remain in the Loan Subaccount of the Construction Account after completion of the Project, those excess funds shall be disbursed to Lender as a prepayment of a portion of the Principal Indebtedness and as a repayment of excess Loan proceeds.

2.6 Sources of Funds for Payment of Hardship Grant Assessments. Accrued Hardship Grant Assessments on the outstanding Principal Indebtedness shall be paid in accordance with the following:

(a) Sources of Funds. From and after the initial disbursement of Loan proceeds, Borrower shall pay the accrued Hardship Grant Assessments from the following sources of funds in the priority listed below:

(1) The interest or Hardship Grant Assessment reserve shown as a line item on the Budget; and

(2) Other sources of funds available to Borrower.

(b) Payment Through Disbursement of Loan Proceeds. To the extent there are undisbursed Loan proceeds available under the interest or Hardship Grant Assessment reserve (as shown on the Budget), Lender may disburse to itself on each Payment Date from the available proceeds of the Loan an amount equal to the accrued Hardship Grant Assessments for the preceding period until such interest or Hardship Grant Assessment reserve is totally depleted.

(c) When Lender May Refuse to Disburse Loan Proceeds to Pay Hardship Grant Assessments. To the extent the interest or Hardship Grant Assessment reserve (as shown on the Budget) is unavailable or insufficient to pay the accrued Hardship Grant Assessments on the outstanding Principal Indebtedness, Lender may, in Lender's sole discretion, refuse to disburse such

Hardship Grant Assessments on the Principal Indebtedness at such time and so long as any of the following conditions exists:

- (1) An Event of Default shall have occurred and be continuing;
- (2) Disbursements shall have been suspended or halted by Lender for any valid reason as provided herein;
- (3) There are insufficient proceeds remaining from the Loan to pay projected construction costs as estimated by Lender; or
- (4) The construction of the Improvements shall not have been completed by the completion date provided in Section 5.1 of this Agreement.

If Lender elects not to disburse Hardship Grant Assessments for any of the foregoing reasons, Lender shall so notify Borrower in writing. Upon receipt of such notice, Borrower shall be obligated to pay accrued Hardship Grant Assessments on the Principal Indebtedness to Lender, without the use of the Loan proceeds, in the manner and at the times provided in the Note.

(d) Depletion of Interest or Hardship Grant Assessment Reserve. When the interest or Hardship Grant Assessment reserve (as shown on the Budget) has been totally depleted, Lender shall so notify Borrower in writing. Thereafter, Borrower shall be obligated to pay accrued Hardship Grant Assessments on the Principal Indebtedness to Lender, without use of the Loan proceeds, in the manner and at the times provided in the Note.

2.7 Late Fee Charges. If any payment required by this Agreement is not paid when due, Borrower shall pay to Lender a late fee charge as specified in the Note.

2.8 Prepayment. Borrower shall have the right to prepay all or a portion of the Principal Indebtedness owing on the Note at any time or times prior to maturity without notice and without payment of any premium or penalty. Each such prepayment shall be applied to principal installments payable under the Note in inverse order of maturities, and Borrower shall be obligated to continue to pay the installments set forth in the Note until the entire Principal Indebtedness and Hardship Grant Assessments thereon has been paid in full, but the repayment period shall be shortened as necessary to correspond to the number of principal installments prepaid.

ARTICLE III

CONDITIONS PRECEDENT TO DISBURSEMENTS UNDER THE LOAN

3.1 Conditions Precedent to Initial Disbursement. Prior to the initial disbursement of any of the Loan proceeds, and as a condition precedent to such initial disbursement under the Loan, all of the following conditions must be satisfied as determined by Lender, in Lender's sole discretion:

(a) Authority of Borrower. Borrower shall deliver to Lender a certified copy of its Authority Documents, together with any and all amendments thereto. Borrower shall also provide Lender with: (1) a certificate of good standing relating to Borrower issued by the Utah Department of Commerce; and (2) a resolution authorizing Borrower to enter into the transactions contemplated by this Agreement. Such resolution shall designate and authorize the individual or individuals executing the Loan Documents in behalf of Borrower to execute and deliver the same.

(b) Budget. Borrower shall furnish the Budget to Lender, in form and content satisfactory to Lender. The Budget shall contain a detailed cost breakdown of the overall cost of the Improvements and use of the Loan proceeds and Equity proceeds, including, but not limited to, construction costs of the Improvements, both on-site and off-site, the cost of fixtures and equipment, Loan fees, land acquisition costs (if applicable), and such other matters as may be required by Lender. The Budget shall be signed and approved by Borrower.

(c) Equity Contribution. Borrower shall contribute or cause to be contributed to the Pipeline Subaccount of the Construction Account cash in the amounts described in Section 3.3(a) of this Agreement.

(d) Title Commitment. Borrower shall furnish to Lender a commitment for the issuance of a lender's policy of title insurance, issued by a title company acceptable to Lender in the maximum amount of the Principal Indebtedness, demonstrating that Borrower has marketable fee simple title in and to the Tank and Treatment Facility Site, subject to the Permitted Encumbrances, and that the Facility Deed of Trust constitutes a first lien encumbrance and security interest in and to the Tank and Treatment Facility Site, subject only to the Permitted Encumbrances.

(e) Permits. Borrower shall provide Lender with a copy of any permits and business licenses as may be required by each applicable governmental authority.

(f) Insurance. Borrower shall obtain, to Lender's reasonable satisfaction, the insurance policies covering the perils, with the limits and in the form described in the Facility Deed of Trust, including, without limitation, builder's risk, public liability and workers compensation insurance.

(g) Financial Statements. Borrower shall deliver to Lender copies of such financial statements and proforma financial statements concerning Borrower, in form acceptable to Lender, as Lender may request.

(h) Water Management and Conservation Plan. Borrower shall deliver to Lender a Water Management and Conservation Plan, in form acceptable to Lender, together with proof that said Plan has been adopted by Borrower.

(i) Operator Certification. Borrower shall demonstrate to Lender that Borrower has employed an operator for Borrower's water system who possesses a current, valid Utah water operator's certification at a level required by the complexity of that system.

(j) Miscellaneous Items. Borrower shall deliver to Lender such other items, documents and evidences pertaining to the Loan as may reasonably be requested by Lender.

3.2 Conditions Precedent to Additional Disbursements. Lender's obligation to make any additional disbursements of the Loan proceeds, and Lender's obligation to authorize disbursements from the Loan Subaccount of the Construction Account, shall be subject to the satisfaction of the following conditions:

(a) Prior Conditions. All conditions precedent described in Section 3.1 of this Agreement shall have been previously satisfied.

(b) Loan Current. There shall be no material default of any material term, covenant or condition contained in any of the Loan Documents. However, Lender may, in Lender's sole discretion, make disbursements under the Loan Documents notwithstanding the existence of such a default and any disbursement so made shall be deemed to have been made pursuant and subject to this Agreement.

(c) Project-Specific Conditions. Prior to making disbursements which specifically relate to the Water Storage Project or the Treatment Facility Project, as applicable, Borrower shall submit to Lender the following items:

(1) For each such Project, Borrower shall furnish to Lender two (2) final sets of the approved Plans and Specifications for such Project, in final form as approved by Lender.

(2) For each such Project, Borrower shall furnish to Lender copies of the executed Construction and Related Contracts for such Project, together with an Assignment of Rights Under Construction Contract, in a form approved by Lender, which has been executed by Borrower and the Contractor.

(3) For each such Project, Borrower shall furnish to Lender a schedule, reasonably acceptable to Lender, which specifies the time for completion of such Project.

(4) For each such Project, Borrower shall furnish to Lender, in a form acceptable to Lender, the payment and performance bonds of the Contractor for one hundred percent (100%) of the costs of the acquisition and construction of such Project. The payment and performance bonds shall contain dual obligee riders naming Lender as an additional obligee.

(5) For each Project, Borrower shall contribute or cause to be contributed to the Loan Subaccount of the Construction Account cash in the amount described in Section 3.3(b) or 3.3(c), as applicable for such Project.

(6) In connection with the Treatment Facility Project, Borrower shall furnish to Lender evidence satisfactory to Lender that the following Permitted Encumbrances have been released removed or reconveyed: 6, 7, 28, 29 and 31.

(d) Application for Disbursements. Borrower shall have submitted to Lender and Lender shall have approved an Application for Disbursements.

(e) Misrepresentations. There shall be no material misstatement in any material representation or warranty made by Borrower to Lender in any Loan Document, or in any material information submitted to Lender pursuant to this Agreement or any of the Loan Documents.

(f) First Lien. The Facility Deed of Trust shall continue to constitute a valid first lien against the Tank and Treatment Facility Site for the full amount of the Principal Indebtedness, subject only to the Permitted Encumbrances.

(g) Second Lien. The Water Rights Deed of Trust shall continue to constitute a valid second lien against the Water Rights for the full amount of the Principal Indebtedness, subject only to the prior rights of the Utah Board of Water Resources and the Permitted Encumbrances.

(h) Materials. All materials and fixtures incorporated in or forming a part of the Water Storage Project and the Treatment Facility Project shall have been purchased so that the absolute ownership thereof shall become vested in Borrower immediately upon delivery thereof to the Tank and Treatment Facility Site.

(i) Cost to Complete. Lender shall have received and approved a written estimate by Borrower of the cost of construction of the Improvements theretofore incurred and an

estimate of the cost of completing the construction of the Improvements which shall be allocated in accordance with the cost breakdowns set forth in the Budget. Lender may require such additional certifications of "cost to complete" as Lender may deem necessary.

(j) Damage. Neither the Improvements nor any part of the Project shall have been materially injured or damaged by any casualty or condemned or threatened with condemnation. In the event of such damage or condemnation, no additional disbursement of Loan proceeds shall be made unless: (1) Lender shall have received insurance or condemnation proceeds sufficient, in the judgment of Lender, to effect the satisfactory restoration of the Improvements, and to permit the completion of the Improvements prior to the completion date; and (2) no other casualty shall have occurred which would adversely or materially affect the ability of Borrower to construct the Improvements.

(k) Quality of Construction. Borrower shall have supplied to Lender copies of the construction inspector's reports relating to the Project, and Lender shall have determined, to Lender's reasonable satisfaction, that all work performed was completed in a good and workmanlike manner and that the completed Improvements are of a value not less than the amount previously disbursed under the Loan plus the amount requested.

(l) Lien Waiver. Lender shall have been furnished with satisfactory mechanic's lien waivers and receipts showing payment to the Contractor and to each major subcontractor and supplier or, at Lender's option, each other person, firm or corporation who furnished materials or performed labor for the construction of the Improvements during the time period which relates to the immediately preceding Application for Disbursements. All lien waivers submitted to Lender must match the invoice or statement amounts submitted to Lender in support of the immediately preceding Application for Disbursements.

3.3 Equity Contributions. As a condition for Lender's obligation to disburse Loan proceeds, Borrower shall be required to contribute or cause to be contributed to the applicable Subaccount of the Construction Account the total sum of Three Million Four Hundred Fifty Thousand Dollars (\$3,450,000), which sum shall be contributed in following amounts and at the times indicated below:

(a) Initial Contribution. Prior to the initial disbursement of any of the Loan proceeds, Borrower shall contribute or shall cause to be contributed to the Pipeline Subaccount of the Construction Account the sum of One Million Eight Hundred Forty-two Thousand Dollars (\$1,842,000). Said equity contribution shall be used in connection with the Pipeline Project.

(b) Second Contribution. Prior to the acquisition or construction of any part of the Water Storage Project, Borrower shall contribute or shall cause to be contributed to the Loan

Subaccount of the Construction Account the sum of Seven Hundred Thousand Dollars (\$700,000). Said equity contribution shall be used in connection with the Water Storage Project.

(c) Third Contribution. Prior to the acquisition or construction of any part of the Treatment Facility Project, Borrower shall contribute or shall cause to be contributed to the Loan Subaccount of the Construction Account the sum of Nine Hundred Eight Thousand Dollars (\$908,000). Said equity contribution shall be used in connection with the Treatment Facility Project.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender as follows:

4.1 Pending Litigation. There is no action, suit or proceeding pending, including without limitation, condemnation proceedings, or, to the best of Borrower's knowledge, threatened, against or affecting Borrower, the Project, the System or the Water Rights in any court of law or equity, or before any governmental or quasi-governmental instrumentality, whether federal, state, county or municipal which may result in any material adverse change in the business or financial condition of Borrower.

4.2 Title to Property. Borrower has or concurrently with the execution of this Agreement shall acquire good and marketable fee simple title in and to the Tank and Treatment Facility Site. Borrower has not conveyed or encumbered the Tank and Treatment Facility Site or the Water Rights, to or in favor of any party other than the Utah Board of Water Resources, and the Tank and Treatment Facility Site and the Water Rights are free and clear of all liens and encumbrances, subject to Permitted Encumbrances and the prior rights of the Utah Board of Water Resources with respect to the Water Rights.

4.3 Authority of Borrower. Borrower is duly organized, validly existing and in good standing under the laws of the State of Utah. Borrower possesses all requisite power and authority to enter into this Agreement, to borrow money as contemplated hereby and to carry out the terms, covenants and conditions of the Loan Documents. Borrower's execution, delivery and performance of this Agreement and the Loan Documents have been duly authorized and do not violate the provisions of any of Borrower's Authority Documents.

4.4 Mechanic's Liens. There are no delinquent claims for labor, materials, supplies or other services furnished in connection with the Improvements, and no claim of lien affecting the Improvements has been filed.

4.5 Taxes and Assessments. No taxes, assessments or other governmental charges upon Borrower or Borrower's property or other assets and income are delinquent.

4.6 Financial Statements. Any and all financial statements previously delivered to Lender by Borrower, except as may be disclosed in the notes thereto, accurately represent the financial condition of Borrower and reflect accurately the assets and properties of Borrower. No material adverse change has occurred in the financial condition of Borrower as reflected in the financial statements since the dates thereof.

4.7 Licenses and Permits. All necessary licenses and permits required for the construction of the Improvements have been obtained.

4.8 Defaults and Violations. Borrower is not in default or in violation with respect to any final judgment, writ, injunction, decree or regulation of any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which has jurisdiction over the property of Borrower. Without limiting the generality of the foregoing, Borrower hereby represents and warrants to Lender that no events of default have occurred under that certain Agreement dated June 29, 1999, by and between Borrower and the Utah Board of Water Resources.

4.9 No Conflicting Agreement. Neither the execution and delivery of any of the Loan Documents by Borrower, nor the compliance by Borrower with the terms, covenants and conditions of the Loan Documents will conflict with, or constitute a default under any agreement or other instrument to which Borrower is bound or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon the Property.

4.10 Construction and Related Contracts. Except as disclosed to Lender, the Construction and Related Contracts have not been amended, modified or terminated and are in full force and effect. Borrower is not in default in the observance or performance of any of Borrower's obligations under the Construction and Related Contracts. In addition, Borrower has done all things required to be done as of the date of this Agreement to keep unimpaired the rights of Borrower under the Construction and Related Contracts.

ARTICLE V

COVENANTS

Borrower agrees and covenants with Lender as follows:

5.1 Completion. Borrower shall erect, equip and complete the construction of the Improvements with due diligence. Borrower shall complete all work on or before September 30, 2003, unless

Lender agrees in writing to extend said deadline. All construction shall be in strict compliance with the Plans and Specifications and shall be in full compliance with the terms of this Agreement.

5.2 Modifications and Amendments. No material modifications of or amendment to the Construction and Related Contracts or the Plans and Specifications shall be made, and no change order shall be authorized without obtaining the prior written approval of Lender.

5.3 Right of Inspection. Lender and Lender's agents shall have at all reasonable times during the construction of the Improvements: (a) the right to enter upon and have free access to the Tank and Treatment Facility Site and the site of the Pipeline Project; (b) the right to inspect all work done, labor performed and materials furnished; and (c) the right to inspect all books, contracts and records of Borrower relating thereto.

5.4 Correction of Work. Borrower shall, upon demand of Lender, correct any material defect in the Improvements or any departure from the Plans and Specifications not approved by Lender. The disbursement of any Loan proceeds shall not constitute a waiver of the right of Lender to require compliance with this covenant with respect to any such defects or departures from the Plans and Specifications not previously discovered by Lender.

5.5 No Encroachments. The Improvements shall be constructed entirely upon property owned by Borrower or as to which Borrower has a valid right-of-way or easement, and will not encroach upon or overhang any easement or right-of-way, nor upon the property of adjoining landowners.

5.6 Insurance. Borrower shall provide and maintain, at all times, insurance coverage to the extent and in the amounts provided herein and in the Loan Documents.

5.7 Security Agreements. No materials, fixtures or any other part of the Improvements which, pursuant to this Agreement, constitute a portion of the security for the Loan shall, without the prior written approval of Lender, be purchased or installed under any security agreement wherein the right is reserved or accrues to anyone to remove or repossess such property or to have a security interest superior to the security interest of Lender as evidenced by the Deeds of Trust.

5.8 Payment for Services. Borrower shall promptly pay for all services, labor and materials performed and furnished in connection with the construction and operation of the Improvements.

5.9 Mechanic's Liens. Borrower shall take all reasonable precautions to prevent the filing against the Improvements and the Project, or any portion thereof, of any mechanic's, materialmen's or labor liens of any kind whatsoever. If any such liens are filed, then Borrower shall take reasonable steps to discharge promptly any and all of such liens.

5.10 Information. Borrower shall furnish to Lender with reasonable promptness such data and information, financial and otherwise, concerning Borrower as from time to time may reasonably be requested by Lender for purposes of administering compliance with the Loan Documents.

5.11 Notice. Borrower shall promptly notify Lender in writing of any of the following:

(a) The existence or occurrence of any event, which with the passage of time, the giving of notice, or both, would constitute an Event of Default under this Agreement or a default under any of the Loan Documents;

(b) Any events or changes in the financial condition of Borrower occurring since the date of the last financial statement of Borrower delivered to Lender, which individually or cumulatively when viewed in light of prior financial statements, may result in a material adverse change in the financial condition of Borrower; and

(c) Any claim, action or proceeding materially affecting title to the Tank and Treatment Facility Site or the Water Rights or any other collateral given by Borrower to Lender under any of the Loan Documents.

5.12 Secondary Financing. There shall be no financing junior to or on a parity with the Loan without Lender's prior written consent.

5.13 Levy and Collect Fees. Until the Principal Indebtedness and all Hardship Grant Assessments thereon have been paid in full, Borrower shall levy and collect fees from its customers in such amounts as are necessary to allow Borrower to generate funds sufficient to pay all operation and maintenance expenses relating to Borrower's water system, to fund the accounts described in Section 5.14, and to pay, when due, all amounts payable by Borrower under this Agreement, the Note and the other Loan Documents.

5.14 Establishment and Funding of Reserves. Borrower shall establish and maintain, for so long as any amounts of principal and Hardship Grant Assessments remain payable under the Note, a "Debt Service Reserve Account" and a "Capital Facilities Replacement Account," which accounts shall be segregated from the other funds and assets of Borrower and shall be held in trust for the benefit of Lender in accordance with the provisions set forth below in this Section 5.14:

(a) Debt Service Reserve Account. On or before the date on which the first installment of principal is payable under the Note, and on each Payment Date thereafter, Borrower shall deposit into the Debt Service Reserve Account an amount equal to FIFTY-SEVEN THOUSAND THREE HUNDRED DOLLARS (\$57,300) until the funds in that Account totals FIVE HUNDRED SEVENTY-THREE THOUSAND DOLLARS (\$573,000). The Debt Service Reserve Account shall serve as additional security for Borrower's obligations under this Agreement and the other Loan

Documents. If, or to the extent that, Borrower fails to make any payment required under the Note or under any other Loan document, Lender shall be entitled to withdraw from the Debt Service Reserve Account such amounts as are necessary to make up the delinquency. If funds are so withdrawn from the Debt Service Reserve Account, Borrower shall be obligated to deposit into the Debt Service Reserve Account, not later than sixty (60) days after said withdrawal, the full amount of the funds which were withdrawn.

(b) Capital Facilities Replacement Account. As soon as is practicable after the end of each fiscal year of Borrower, Borrower shall deposit into the Capital Facilities Replacement Account an annual deposit equal to five percent (5%) of Borrower's total operating budget (inclusive of debt service and depreciation) for its drinking water system for the preceding fiscal year. The first installment shall be payable as soon as practicable after the end of Borrower's fiscal year in which the Loan closing occurs, and such installments shall continue until the entire Principal Indebtedness, together with Hardship Grant Assessments thereon, has been paid in full. The amounts in the Capital Facilities Replacement Account shall be kept on deposit and may be applied from time to time by Borrower solely for the purpose of paying costs and expenses relating to the construction and acquisition of additions, improvements and extensions to Borrower's drinking water system or to replace portions of that system which have become obsolete or no longer function properly or efficiently. The amounts in the Capital Facilities Replacement Fund shall not be used for normal expenses of operation and maintenance of said system. Borrower shall make no disbursements from the Capital Facilities Replacement Account unless and until Borrower has given prior written notice to Lender setting forth the nature, purpose and amount of the proposed disbursement.

5.15 Financial Reporting. As soon as available and in any event within ninety (90) days after the end of each calendar year, Borrower shall deliver to Lender an accountant compiled balance sheet, cash flow statement and income statement for the preceding calendar year; prepared in accordance with generally accepted accounting principles.

5.16 Operation of System. Borrower shall operate and maintain its culinary water system in good repair, shall promptly repair any damage thereto or failure thereof, and shall fully comply with all laws applicable to the operation thereof.

5.17 Protection of Ownership. Borrower shall take all actions necessary to preserve and maintain its ownership interests in the Tank and Treatment Facility Site and the Water Rights and the priority thereof, and shall pay, when due, all amounts owed to the Utah Board of Water Resources so as to obtain legal title to the Water Rights..

5.18 Compliance With Law. Borrower agrees in accepting the Loan proceeds, to comply with all applicable state and federal regulations related to the Utah State Revolving Fund administered by Lender. These requirements include, but are not limited to, Title XIV of the Safe Drinking Water Act of 1996,

OMB Circular A-133 and the Utah Federal State Revolving Fund (SRF) Program (R309-351 of the Utah Administrative Code), and the Federal laws, executive orders and government-wide policies described as "cross-cutting Federal authorities" in Lender's loan authorization letter to Borrower.

ARTICLE VI

EVENTS OF DEFAULT; REMEDIES

6.1 Events of Default. The occurrence and continuance of any of the following events shall constitute an Event of Default under this Agreement and the Loan Documents:

(a) Nonpayment. The failure of Borrower to pay when due any principal, Hardship Grant Assessment, or other charge with respect to the Principal Indebtedness.

(b) Impairment to Lien of Deeds of Trust. The impairment, at any time, of the priority of the lien of the Facility Deed of Trust or the Water Rights Deed of Trust, by any lien, encumbrance or other defect, which lien, encumbrance or other defect is not corrected within thirty (30) days after notice to Borrower, or which Borrower fails or refuses to bond against.

(c) Assignment. Borrower, without the prior written consent of Lender: (1) assigns this Agreement or any disbursement or advance to be made hereunder, or any interest therein to any person or entity; (2) applies the proceeds of any disbursement in any manner not specified and approved by Lender in the Application for Disbursements therefor; or (3) voluntarily or involuntarily conveys, transfers, assigns, mortgages, pledges or encumbers the Tank and Treatment Facility Site or the Water Rights in any way other than as provided in this Agreement.

(d) Completion of Improvements. The failure by Borrower to complete the construction of the Improvements within the time prescribed by Section 5.1 of this Agreement.

(e) Cessation of Construction. The cessation of the construction of the Improvements for any period after the date hereof in excess of fifteen (15) days, unless: (1) the cessation of construction is caused by conditions beyond the control of Borrower, including, without limitation, severe weather conditions, fire, strikes, labor disputes, delays in delivery of materials and disruption of shipping; (2) Borrower makes adequate provisions acceptable to Lender for the protection of materials stored on-site and for the protection of the Improvements to the extent then constructed against deterioration, loss, damage or theft; (3) Borrower furnishes to Lender satisfactory evidence that such cessation of construction will not adversely affect or interfere with the rights of Borrower under material contracts or subcontracts relating to the construction of the Improvements;

and (4) Borrower furnishes to Lender reasonably satisfactory evidence that the completion of the Improvements can be accomplished within the time specified in Section 4.1 of this Agreement.

(f) Insufficient Funds. A reasonable determination by Lender that the estimated cost to complete the construction of the Improvements, to pay projected Hardship Grant Assessments accruals on the Principal Indebtedness (as shown on the Budget) is in excess of the amount of funds available to Borrower from the undisbursed Equity proceeds and Loan proceeds to complete and pay for such construction and Hardship Grant Assessments. However, no Event of Default shall be declared by Lender if such deficiency is corrected, within fifteen (15) days after written notice to Borrower, by the deposit with Lender of such amount as may be required, when added to the undisbursed Equity proceeds and Loan proceeds, to enable Borrower to complete and pay for the costs of construction and projected Hardship Grant Assessments.

(g) Cancellation of Insurance. The cancellation of any of the insurance coverage required by Section 3.1(f) of this Agreement, if replacement insurance satisfactory to Lender is not obtained prior to the effective date of cancellation.

(h) Litigation. The institution of any litigation or administrative proceeding involving Borrower, this Agreement, the Note, the Facility Deed of Trust, the Water Rights Deed of Trust, the Joint Project Deed of Trust, any of the other Loan Documents, the Tank and Treatment Facility Site, the Water Rights or the Improvements which has or may have a materially adverse effect: (1) on the ability of Borrower to perform any of the obligations under this Agreement or any of the Loan Documents; (2) on the ability of Borrower to operate and use the Improvements, or any part thereof for the purposes intended; or (3) on the value of the Tank and Treatment Facility Site or the Water Rights or the Improvements as security for the Note; unless such proceedings shall have been terminated, dismissed or bonded against to Lender's reasonable satisfaction within forty-five (45) days after the commencement thereof.

(i) Bankruptcy or Reorganization. The occurrence and continuance of any of the following with respect to the Borrower: (1) the filing by Borrower of a petition in bankruptcy or for reorganization or for an arrangement under any bankruptcy or insolvency law or for a receiver or trustee for any of Borrower's properties; (2) the filing against Borrower of a petition in bankruptcy or for reorganization or for an arrangement under any bankruptcy or insolvency law or for a receiver or trustee for any of Borrower's properties which is not dismissed within sixty (60) days; (3) the appointment of a receiver or trustee of Borrower's properties which is not discharged within sixty (60) days; (4) an assignment by Borrower for the benefit of creditors or an admission by Borrower, in writing, of an inability to pay Borrower's debts as they become due; (5) the entry of a judgment of insolvency against Borrower by any state or federal court of competent jurisdiction; or (6) the attachment or execution by levy against any substantial portion of any of Borrower's properties which is not discharged within sixty (60) days.

(j) Misrepresentation. Any representation or warranty made by Borrower in connection with an application for the Loan, or in this Agreement or any of the Loan Documents is or proves to have been materially incorrect when made.

(k) Default of Covenants. The occurrence and continuance of a material default by Borrower under any material term, covenant or condition contained in this Agreement or any of the Loan Documents.

(l) Material Adverse Change. The reasonable determination by Lender that a material adverse change has occurred in the financial condition of Borrower since delivery of the last dated financial statements to Lender.

(m) Payment Impairment. Any circumstance which, in the reasonable judgment of Lender, impairs the prospect of payment of the Principal Indebtedness in full when and as it becomes due, or otherwise causes Lender to reasonably deem itself insecure.

(n) Cross Default. The occurrence of an event of default under the agreement between Borrower and the Utah Board of Water Resources relating to the repurchase by Borrower of the Water Rights.

6.2 Notice. If any Event of Default shall occur (whether or not any required notice has been given or an applicable grace period has elapsed), Lender shall not be obligated to make any further disbursements of the Loan proceeds into the Loan Subaccount of the Construction Account or to authorize any further disbursements from either the Pipeline Subaccount or the Loan Subaccount of the Construction Account until such Event of Default is remedied. Unless otherwise expressly provided by the terms of this Agreement, or the other Loan Documents, if an Event of Default shall occur, Lender shall give written notice of such occurrence to Borrower as follows:

(a) Monetary Default. Borrower shall not be entitled to any notice regarding defaults with respect to regularly scheduled payments of principal and accrued Hardship Grant Assessments under the Note. However, in the event of any other monetary default, Borrower shall have fifteen (15) days following receipt of written notice from Lender in which to cure such default.

(b) Nonmonetary Default. In the event of a nonmonetary default, Borrower shall have fifteen (15) days after receipt of written notice from Lender specifying the nonmonetary default in which to effect a cure. However, if the nonmonetary default cannot reasonably be corrected within such fifteen (15) day period, Borrower shall have an additional thirty (30) days to remedy such nonmonetary default if Borrower notifies Lender of the manner in which the nonmonetary default shall be cured, and if appropriate corrective action is instituted within the initial fifteen (15) day period and is diligently pursued thereafter.

6.3 Remedies. If an Event of Default shall occur and continue after any required notice and lapse of any applicable grace period, all obligations of Lender under this Agreement (including the obligation to disburse Loan proceeds), and under the Loan Documents, at the election of Lender, shall cease and terminate, and, subject to the provisions of Section 6.5, Lender may: (a) declare the outstanding Principal Indebtedness evidenced by the Note and secured by the Deeds of Trust and any other Loan Document immediately due and payable; (b) exercise the power of sale provision contained in the Deeds of Trust; (c) foreclose any of the Deeds of Trust as a mortgage; (d) require the funds remaining in the escrow account created under the Escrow Agreement to be repaid to Lender for application against the Principal Indebtedness; (e) exercise Lender's rights with respect to any other collateral given as security for the repayment of the Loan; (f) apply to and obtain from any court of competent jurisdiction such decree or order as may be necessary to require Borrower to impose and collect assessments against the shareholders of Borrower sufficient to make all payments required under this Agreement, the Note and the other Loan Documents; (g) apply to and obtain from a court of competent jurisdiction an order appointing a receiver to operate Borrower's water system, and to carry out Borrower's obligations under this Agreement, the Note and the other Loan Documents; or (h) exercise any other right or remedy available to Lender pursuant to any Loan Document, or as provided at law or in equity.

6.4 Completion by Lender. Upon the occurrence and continuance of a Event of Default, Lender, at Lender's election, may complete the construction of the Improvements in accordance with the following:

(a) Continuation of Project. Upon default on the part of Borrower and after the expiration of any applicable notice or grace period hereunder, Lender, but without obligation, in addition to any other remedies which Lender may have under the Loan Documents or by statute or rule of law, may construct, equip, and complete the construction of the Improvements in accordance with the Plans and Specifications or make such reasonable changes thereto as Lender may from time to time, in Lender's sole discretion, deem appropriate, all at the risk, cost and expense of Borrower. Lender shall have the right at any and all times to discontinue any work commenced by Lender in respect to the Improvements or to change any course of action undertaken by Lender and shall not be bound by any limitations or requirements of time whether set forth herein or otherwise. Lender shall have the right and power to take over and use all or any part or parts of the labor, materials, supplies and equipment contracted by or on behalf of Borrower, including such equipment and supplies that have previously been delivered or stored in any facility for incorporation into the Improvements, all in the sole and absolute discretion of Lender.

(b) Rights of Lender in Completion. In connection with the completion of the construction of the Improvements undertaken by Lender pursuant to the provisions of this Section 6.4, Lender may: (1) engage contractors, engineers and others for the purpose of furnishing labor, materials, equipment and professional services in connection with the construction of the Improvements; (2) pay, settle or compromise all bills or claims which may become liens against the

Improvements, or which have been or may be incurred in any manner in connection with the construction, completion and equipment of the Improvements or for the discharge of liens, encumbrances or defects in the title to the Improvements; (3) use all or any portion of the undisbursed Loan proceeds; (4) take such action as Lender may determine to protect the Improvements or the supplies delivered for incorporation into the Improvements; and (5) charge a reasonable fee for services rendered in connection with any of the foregoing.

(c) Liability of Borrower. Borrower shall be liable to Lender for all sums paid or incurred by Lender for the completion of constructing and equipping the Improvements, whether the same shall be paid or incurred pursuant to provisions of this Section 6.4 or otherwise. All payments made or liabilities incurred by Lender of any kind whatsoever, including reasonable attorney fees and costs, shall be paid by Borrower to Lender upon demand, with interest from the date expended or incurred at the Default Interest Rate to the date of payment to Lender. All of the foregoing, to the extent there are insufficient undisbursed Loan proceeds to cover such payments or liabilities, including without limitation, interest, shall be deemed and shall constitute Additional Advances becoming part of the Principal Indebtedness.

(d) Attorney-in-Fact. For purposes of this Section 6.4, Borrower hereby irrevocably constitutes and appoints Lender as Borrower's true and lawful attorney-in-fact, coupled with an interest, to execute, acknowledge and deliver any instruments and to do and perform any act referred to in this Section 6.4 all in the name and on behalf of Borrower.

6.5 No Remedy Exclusive. No remedy conferred upon or reserved to Lender under this Agreement shall be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, the Loan Documents, or now or hereafter existing at law or in equity or by statute. No delay or failure to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VII

PARTIAL RELEASE

7.1 Borrower's Right to Obtain Partial Release of Property. Notwithstanding any other provision of this Agreement, Borrower shall have the right to obtain from Lender a release of a portion of the Tank and Treatment Facility Site from the lien and encumbrance of the Facility Deed of Trust in accordance with the provisions of this Article VII in order to allow Jordan Valley Water Conservancy District to construct on the released portion a water storage facility.

7.2 Procedure for Release. In order to obtain the partial release described in Section 7.1 of this Agreement, Borrower shall supply to Lender the following:

(a) A legal description for the property to be released from the lien and encumbrance of the Facility Deed of Trust, together with a survey showing the location of the property to be released.

(b) A written certification of Borrower that (i) Borrower has entered into a binding agreement with Jordan Valley Water Conservancy District, pursuant to which Jordan Valley Water Conservancy District has committed to construct and install a water storage facility on the property to be released, (ii) the property to be released is necessary to allow Jordan Valley Water Conservancy District to construct and install that water storage facility and does not involve more property than is reasonably necessary to allow that construction and installation, (iii) the construction, installation and operation of the water treatment facility by Jordan Valley Water Conservancy District will not prevent or materially impede Borrower from operating its normal activities on the remainder of the Tank and Treatment Facility Site, and (iv) the value of the remainder of the Tank and Treatment Facility Site, after deducting the value of the portion thereof to be released, when added to the value of the Water Rights, equals or exceeds the unpaid balance of the Principal Indebtedness of the Loan..

7.3 Execution of Release Instrument. Upon receipt of the items described in Section 7.2, together with such other items as Lender may reasonably request to verify the certifications made by Borrower with respect thereto, Lender shall execute, acknowledge and deliver to Borrower good and sufficient instruments to release the portion of the Tank and Treatment Facility Site described in Section 7.2(a) of this Agreement.

ARTICLE VIII

MISCELLANEOUS

8.1 Non-Waiver. No disbursement of the proceeds of the Loan shall constitute a waiver of any covenant or condition to be performed by Borrower. In the event Borrower is unable to satisfy any such covenant or condition, Lender shall not be precluded from thereafter declaring such failure to be an Event of Default.

8.2 Derivative Rights. Any obligation of Lender to make disbursements hereunder is imposed solely and exclusively for the benefit of Borrower and no other person, firm or corporation shall, under any circumstances, be deemed to be a beneficiary of such condition, nor shall it have any derivative claim or action against Lender.

8.3 Amendments. Neither this Agreement nor any provisions hereof may be changed, waived, discharged or terminated orally and may only be modified or amended by an instrument in writing, signed by both Lender and Borrower.

8.4 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of Borrower, Lender and their respective successors and assigns.

8.5 Waivers. The failure by Lender or Borrower at any time or times hereafter to require strict performance by the other of any of the undertakings, agreements or covenants contained in this Agreement shall not waive, affect or diminish any right of Borrower or Lender hereunder to demand strict compliance and performance therewith. Any waiver by Lender of any Event of Default under this Agreement shall not waive or affect any other Event of Default hereunder, whether such Event of Default is prior or subsequent thereto and whether of the same or a different type. None of the undertakings, agreements or covenants of Borrower and Lender under this Agreement shall be deemed to have been waived unless such waiver is evidenced by an instrument in writing signed by the party to be charged specifying such waiver.

8.6 Survival. This Agreement shall survive the recordation of the Deed of Trust and the disbursement of the Loan proceeds, and each and every one of the obligations and undertakings of Borrower and Lender contained herein shall be continuing obligations and undertakings and shall not cease and terminate until all amounts which may accrue pursuant to this Agreement or any of the Loan Documents shall have been fully paid and all obligations and undertakings of Borrower shall have been fully discharged.

8.7 Notices. Except as otherwise provided in this Agreement or any Loan Document, all notices to be given under the terms of this Agreement or any Loan Document shall be in writing and shall be deemed to have been sufficiently given or served when presented personally or on the fifth day following the day on which the same is deposited in the United States mail, by registered or certified mail, postage prepaid, addressed as follows:

If to Lender, to:	Utah Drinking Water Board P. O. Box 144830 Salt Lake City, Utah 84114-4830 Attn: Chairman
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If to Borrower, to:	Draper Irrigation Company P. O. Box 275 12421 South 800 East Draper, Utah 84020
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Such addresses may be changed by notice to the other party given in the same manner as above provided.

8.8 Indemnification. Borrower shall save, hold and keep Lender harmless from any and all loss and damage, costs and expenses, incurred by reason of, or in consequence of, the noncompletion of the Improvements, or as a result of Borrower's failure to repair or reconstruct the Improvements in the event of damage or destruction, except for negligent or willful acts of Lender.

8.9 Severability. If any term or provision of this Agreement shall, to any extent, be determined by a court of competent jurisdiction to be void, voidable or unenforceable, such void, voidable or unenforceable term or provision shall not affect any other term or provision of this Agreement.

8.10 Actions. Lender all have the right, but not the obligation, to commence, appear in and defend any action or proceeding which might affect Lender's security or Lender's rights, duties or liabilities relating to the Loan, the Improvements or this Agreement.

8.11 No Partnership. Nothing contained in this Agreement or in any Loan Document shall be construed as creating a joint venture or partnership between Borrower and Lender. There shall be no sharing of losses, costs and expenses between Borrower and Lender, and Lender shall have no right of control or supervision except as Lender may exercise Lender's rights and remedies provided hereunder and in the Loan Documents.

8.12 Interpretation. Whenever the context shall require, the plural shall include the singular, the whole shall include any part thereof, and any gender shall include both other genders. The article and section headings contained in this Agreement are for purposes of reference only and shall not limit, expand or otherwise affect the construction of any provisions hereof.

8.13 Governing Law. This Agreement and all matters relating hereto shall be governed by, construed and interpreted in accordance with the laws of the State of Utah.

8.14 Conflicts. The provisions of this Agreement are not intended to be superseded by the provisions of the Loan Documents executed in conjunction with this Agreement but shall be construed,as supplemental thereto. In the event of any inconsistency between the provisions hereof and the Loan Documents, it is intended that this Agreement shall control.

Signature Page to Loan Agreement Between Utah Drinking Water Board and
Draper Irrigation Company

IN WITNESS WHEREOF Lender and Borrower have executed this Loan Agreement as of the date first above written.

LENDER:

State of Utah, Department of Environmental Quality,
DRINKING WATER BOARD

By: Michael B. Gorge
Title: Asst. Executive Secretary

BORROWER:

DRAPER IRRIGATION COMPANY

By: Stephen L. Vipp
Title: President

Attest:

[Signature]
Vice President

APPENDIX "A"

DEFINITIONS

Unless the context clearly indicates otherwise, certain terms used in this Agreement shall have the meanings set forth below:

"Application for Disbursements" shall mean the written form or forms, required and approved by Lender, by which Borrower may request Lender to make disbursements from either the Pipeline Subaccount or the Loan Subaccount of the Construction Account to pay for work performed and materials purchased in connection with the construction of the Improvements.

"Authority Documents" shall mean the following documents relating to the creation and operation of Borrower: Amended and Restated Articles of Incorporation dated May 15, 2001 and Bylaws as certified on October 17, 2001, and any and all amendments thereto.

"Budget" shall mean the approved detailed cost breakdown and budget of the overall cost of the Improvements and the use of the Loan proceeds and Equity proceeds submitted by Borrower to Lender as more particularly described in Section 3.1(b) of this Agreement.

"Construction Account" shall mean an escrow account to be established and maintained by Borrower and Lender, into which the Loan proceeds shall be deposited for disbursement for costs related to the Project and costs related to the Loan. The Construction Account shall include both the Loan Subaccount and the Pipeline Account.

"Construction and Related Contracts" shall mean: (a) the Construction Agreement entered into between Borrower and the Contractor for the construction of the Improvements; (b) the Engineering Contract entered into between Borrower and the Engineer relating to the design and specifications for the Improvements; and (c) all engineering and other contracts to which Borrower is a party relating to the design or construction of the Improvements on the Property.

"Contractor" shall mean each of Borrower's project general contractors or construction managers for each portion of the Project.

"Deeds of Trust" shall mean and include the Facility Deed of Trust and the Water Rights Deed of Trust.

"Default Interest Rate" shall mean a rate of interest equal to eighteen percent (18%) per annum, calculated on the basis of a three hundred sixty (360) day year.

"Engineer" shall mean EPIC Engineering, Borrower's project engineer.

"Equity proceeds" shall mean the funds to be contributed by Borrower pursuant to the provisions of Section 3.3 of this Agreement.

"Escrow Agreement" shall mean a written agreement between and among Lender, Borrower and an escrow agent acceptable to both Lender and Borrower, pursuant to which the Construction Account, the Pipeline Subaccount and the Loan Subaccount will be created.

"Event of Default" shall mean the occurrence and continuance of any of the events listed in Section 6.1 of this Agreement.

"Facility Deed of Trust" shall mean the Deed of Trust and Security Agreement, dated the same date as this Agreement, executed by Borrower, as trustor, in favor of Lender, as beneficiary, encumbering the Tank and Treatment Facility Site and constituting a valid first lien encumbrance upon the Tank and Treatment Facility Site.

"Hardship Grant Assessment" shall mean the amount payable by Borrower, in lieu of interest, with each annual installment of principal payable under the Note, equal to 2.3% per annum on the outstanding Principal Indebtedness under the Note; provided, however, that there shall also be a payment of Hardship Grant Assessment only on January 1, 2003.

"Improvements" shall mean the reservoirs, water storage facilities, pipelines, water treatment facilities and other improvements, together with related facilities and improvements that Borrower intends to acquire, construct, install and accomplish with the proceeds of the Loan.

"Loan" shall mean the financing to be advanced by Lender to Borrower pursuant to the terms of this Agreement in the maximum principal amount of SEVEN MILLION TWO HUNDRED THOUSAND DOLLARS (\$7,200,000).

"Loan Documents" shall mean the following documents executed in conjunction with and supporting this Agreement: the Deeds of Trust; the Note; the Assignment of Plans and Specifications and Rights Under Engineering Contract; the Assignment of Construction Contract; the Security Agreement; Uniform Commercial Code Financing Statements; the Borrower's Certificate and Indemnity Regarding Hazardous Substances; and any other documents between Lender and Borrower evidencing or securing the Loan. (All of the Loan Documents are incorporated herein by reference.)

"Loan proceeds" shall mean proceeds relating to amounts supplied by Lender in connection with the Loan.

"Loan Subaccount" shall mean a subaccount of the Construction Account into which Loan proceeds shall be disbursed and from which amounts shall be disbursed for costs relating to the Water Storage Project and the Treatment Facility Project, in the manner provided in the Escrow Agreement.

"Note" shall mean the Promissory Note, dated the same date as this Agreement, in the principal amount of the Loan, executed by Borrower, as maker, and payable to the order of Lender, as payee.

"Payment Date" shall mean January 1 of each year, commencing on January 1, 2004 and continuing on each January 1 thereafter until the total Principal Indebtedness and all interest thereon has been

paid in full; provided, however, that a payment of Hardship Grant Assessment only shall be due and payable on January 1, 2003, which shall also be a Payment Date hereunder.

"Permitted Encumbrances" shall mean those liens and encumbrances as are described as such in the Deeds of Trust.

"Pipeline Project" shall mean the portion of the Project described in Section 1.1(a) of this Agreement.

"Pipeline Subaccount" shall mean a subaccount of the Construction Account into which Equity proceeds shall be disbursed and from which amounts shall be disbursed for costs relating to the Pipeline Project, in the manner provided in the Escrow Agreement.

"Plans and Specifications" shall mean the plans and specifications for all or any portion of the Improvements, prepared by the Engineer and approved by Borrower and Lender.

"Principal Indebtedness" shall mean the outstanding principal amount of the Loan repayable by Borrower in the maximum amount of SEVEN MILLION TWO HUNDRED THOUSAND DOLLARS (\$7,200,000).

"Project" shall mean and include the items described in Section 1.1 of this Agreement, including the Pipeline Project, the Water Storage Project and the Treatment Facility Project.

"System" shall mean the complete water collection, treatment and distribution system of Borrower, including all real and personal property constituting any part thereof.

"Tank and Treatment Facility Site" shall mean the real property, located in Draper, Salt Lake County, State of Utah, as described in the Facility Deed of Trust, which is owned by Borrower and on which the Water Storage Project and the Treatment Facility Project will be constructed, together with all improvements thereon.

"Treatment Facility Project" shall mean the portion of the Project described in Section 1.1(c) of this Agreement.

"Water Rights" shall mean all of the water rights owned by or being purchased by Borrower, including (but not limited to) the water rights being purchased by Borrower pursuant to the existing agreement with the Utah Board of Water Resources.

"Water Rights Deed of Trust" shall mean the Deed of Trust and Security Agreement, dated the same date as this Agreement, executed by Borrower, as trustor, in favor of Lender, as beneficiary, encumbering the Water Rights, and constituting a valid second lien encumbrance thereon, subject to the prior rights of the Utah Board of Water Resources.

“Water Storage Project” shall mean the portion of the Project described in Section 1.1(b) of this Agreement.